



CITIZENS' WATER ADVISORY COMMITTEE (CWAC)

Wednesday, March 23, 2016, 1:15 p.m.
Director's Conference Room
Tucson Water, 3rd Floor
310 W. Alameda Street, Tucson, Arizona

Summary Minutes

1. Roll Call:

The meeting was called to order by CWAC Chair Brian Wong at 1:18 p.m. Those present and absent were:

Present:

Brian Wong	Chairperson, Representative, City Manager
Mark Murphy	Representative, Mayor
Catlow Shippek	Representative, City Manager
Mark Taylor	Representative, City Manager
Placido dos Santos	Representative, City Manager
Chuck Freitas	Representative, City Manager
Mitch Basefsky	Representative, City Manager
Mark Stratton	Representative, City Manager (arrived after roll call)
Jean McLain	Representative, City Manager
Michelle Crow	Representative, Ward 2
Bruce Billings	Representative, Ward 3
Mark Lewis	Vice Chair, Representative, Ward 5
Kelly Lee	Representative, Ward 6

Absent:

Ryan Lee	Representative, Ward 1
George White	Representative, Ward 4
Timothy Thomure	Tucson Water, Director, Ex-Officio Member
Jackson Jenkins	Pima County Regional Wastewater Reclamation Department Director, Ex-Officio Member

Tucson Water Staff Present:

Sandy Elder	Deputy Director
Scott Clark	Deputy Director
Jeff Biggs	Water Administrator
Melodee Loyer	Water Administrator
Britt Klein	Water Administrator
Pat Eisenberg	Water Administrator
Fernando Molina	Water Program Superintendent
Steve Ritter	Management Coordinator
Theresa Bourne	Lead Financial Accountant
Johanna Hernandez	Staff Assistant
Kris LaFleur	Staff Assistant
Beth Kleiman	Hydrology Intern

Others Present:

Chris Avery	City of Tucson, Attorney's Office
Amy Stabler	City of Tucson, Ward 6
Deb Galardi	Consultant, Galardi Rothstein Group
Mark Day	Citizen

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2. **Announcements** – Member Basefsky announced Member Taylor was appointed by the governor to the CAWCD Board of Directors. The April Board Meeting will be held in Casa Grande, and streamed online.
3. **Call to Audience** – No action taken.
4. **Review of March 2, 2016 Legal Action Report and Meeting Minutes** – Committee Member Freitas motioned to approve the Meeting Minutes of March 2, 2016. Member Billings seconded. Motion passed unanimously by a voice-vote of 12-0.
5. **Tucson Water Cost of Service and Proposed Rates** – Tucson Water Deputy Director Scott Clark, along with consultant Deb Galardi, presented a PowerPoint on Tucson Water's Cost of Service and Proposed Rate Schedule. Tucson Water proposed two rate plan options (Traditional and Smoothing). Both options are 4-year plans with annual 7% revenue increases.

Member Shipek arrived at 1:25 p.m.

The Traditional option utilizes standard cost of service allocation methods, and results in an average residential rate increase of 8.7%. Upon direction from the City Manager to have rate increases closer to 7%, a Smoothing option is being proposed to alleviate the burden of the increase to the average residential customer. The Smoothing option utilizes standard methods of cost reallocation to temper the rate increase of the average residential customer to 7.5%, by reallocating the remaining 1.2% to other customer classes. Both options maintain the current percent of fixed fee coverage, i.e. base rates, at around 26%. Additionally, it was acknowledged that there will be further discussion of revenue requirements and rate structures in the near future. The proposed rate increase for different customer classes were reviewed for each option. Proposed rates by block were reviewed for each option. Tucson Water's block structure was discussed and compared to other utilities. Base rates by meter size were provided. The impact to typical single-family residential bills was reviewed for both options. Tucson Water's proposed rates were measured against the affordability recommendations of the American Water Works Association and Bond Rating Agencies, and were determined to be affordable both inside the City of Tucson, as well as in Metropolitan Tucson. There is no change to the reclaimed standard rate in either option. Mayor and Council will hear the Financial Plan and Proposed Rate Structure on April 5th, there will be a public hearing and consideration of adoption of rates on May 17th, and, if adopted, new rates will take effect July 5th. Any multi-year plan approved will include language allowing changes during the plan period, should circumstances require it. CWAC will be involved in discussions regarding future adjustments to the rate structure, expected to begin immediately.

Member Lewis motioned for approval of the Smoothing option for one year only. Motion seconded by Member Taylor. The Committee discussed the differences between the two options, the proposed multi-year plan structure, and the general financial input process of the Committee. Member Basefsky requested the motion be amended to include a primary option and an alternative option, for one year only. Amendment accepted. An informal poll was done of the Committee members to determine preference for primary recommendation versus alternative plan. By majority, the Committee selected the Smoothing option as the primary recommendation, and the Traditional option as the alternative option. Member Freitas noted his objection to either plan as the PILOT is included in both plans. Amended motion to approve the Smoothing option for a single year as a primary recommendation, and the Traditional option for a single year as the alternative recommendation passed by a roll-call vote of 9-2, with Member Freitas and Chair Wong dissenting.

Member McLain departed at 1:58 p.m.

Member Kelly Lee departed at 2:15 p.m.

6. **Adjournment** – Meeting was adjourned at 2:40 p.m.

Approved 4/6/16